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D R A F T
NATIONAL SECURITY DECISION
DIRECTIVE

NSC review completed - may be declassified in
full POLICY TOWARD IRAN

The territorial integrity and sovereignty of an independent, albeit Islamic revolutionary Iran, is essential to our South-west Asia security strategy which in turn will be bolstered by a strong U.S. global posture towards the Soviet Union. Our policy toward an independent Iran will be directed toward achieving the following objectives:

- ensure uninterrupted flow of Persian Gulf oil to world markets;
- prevent Soviet dominance of Iran;
- seek a stable balance of Arab and Iranian influence in the Gulf region and prevent a dominant role for either;
- discourage the export of the Iranian revolution or Iranian terrorism to other states in the area;
- promote active Iranian cooperation with Pakistan to resist the Soviet presence in Afghanistan;
- mitigate the extreme anti-westernism of the Iranian revolution;
- encourage, to the limited extent feasible, forces in Iran favoring a more moderate government which would be less injurious to U.S. interests in the region;
- step up U.S. intelligence capabilities in Iran to develop a deeper understanding of the political dynamics of the country with an eye toward improving the U.S. ability to anticipate developments adversely affecting our interests;
- support the interests of U.S. claimants against Iran in a manner consistent with the foregoing objectives;
- allow for the eventual normalization of U.S.-Iranian relations in the future.

Since the current instability in Iran could turn to total anarchy or some form of civil war maximizing opportunities for the extreme left or heightened Soviet interference through covert means or possibly proxy forces, appropriate U.S. civilian and defense agencies should immediately begin formulating contingency plans for contacting and supporting those in and outside Iran who share the U.S. interest in maintaining Iran's independence and territorial integrity

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U.S. policy toward the present unstable and hostile Iranian regime will be to:

-- initiate as soon as possible an informal dialogue with key Iranian leaders through the Swiss or Algerians, as appropriate, setting forth our views on specific issues of bilateral interest. Discussions of this nature could be made more attractive to Iranian leaders by also conveying U.S. intelligence assessments on subjects of particular interest to the Iranians, e.g., Afghanistan, Soviet activities in the Transcaucasus and the Soviet threat to Poland. The following policy themes would be the substance of such a dialogue:

- the U.S. favors an early end to the war with Iraq;
- the U.S. fully supports maintenance of the territorial integrity of Iran as well as of Iraq;
- U.S. neutrality with respect to the war has prevented U.S. arms from going to either side;
- when the war ends the U.S. will consider releasing the unsold items of Iranian military equipment in the pipeline if the Iranians so desire;
- the U.S. intends to implement fully the hostage release agreements and believes that this mutually beneficial mechanism will resolve many problems affecting our bilateral relations;
- the U.S. does not seek at this time to normalize relations. Appropriate disposition of official U.S. properties in Iran would be an indication of Iranian interest in clearing away the obstacles to the eventual normalization of relations when this becomes mutually desirable.

-- Accompany the "open door" dialogue described above with selected measures designed to thwart anti-American Iranian policies and to undercut government officials who threaten U.S. interests. In particular, we will:

- use the resources at our command with the media, including Voice of America, to blunt anti-U.S. propaganda emanating from Iran;

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- use overt and covert means (i.e., black propaganda) to discredit those Iranian officials who are particularly harmful to U.S. interests including the former hostage holders who were recently appointed to high positions in the Iranian Foreign Ministry. The latter should be denied visas to the U.S. even to attend UN meetings as representatives of Iran. The intent of these measures would be to bring home to the regime that it cannot with impunity appoint to high governmental positions those who have so flagrantly violated international law.

-- send clear signals to the USSR, both publicly and privately, that the U.S. will not tolerate direct or indirect Soviet interference in Iranian affairs. We would use every opportunity to undercut the validity of the 1921 USSR/Iran treaty on which Moscow periodically asserts a right to intervene in Iran;

-- enhance the U.S. military presence and strengthen Washington's political and economic ties with friendly countries in the region.

-- be responsive as possible on implementation of the hostage agreements. While Iran's efforts to recover the Shah's assets and the claims settlements procedures will involve us in contentious disputes with Iran, our contacts with the Iranian side should be conducted with an eye toward improving the atmosphere for an eventual normalization of relations;

-- encourage a negotiated settlement of the Iran-Iraq war which secures the territorial integrity and sovereignty of both countries;

-- confirm to American businessmen that we now impose no specific controls on non-military trade with Iran and begin pointing out that we believe that it is in the U.S. interest for them to respond to commercial opportunities offered by Iran. We should note in so doing, however, that continuing political instability poses substantial business risk and makes it unsafe for Americans to visit Iran. Our objective will be to:

- remind Iranians of continuing useful American links to make less credible revolutionary and Soviet propaganda that the U.S. is the enemy of the Iranian people;
- continue to permit Iran to buy key spare parts for its industry, agriculture and communications, as well as needed food and medicine, thus preventing shortages that could exacerbate political instability and factional conflict;

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- continue to permit Iran access to oil industry spare parts and materials that will support at least present levels of production and domestic refinery throughput and foreign exchange earnings;

-- continue to screen rigorously students and other Iranian visa applicants;

-- permit U.S. governmental representatives to maintain informational contact with key Iranian exile groups. The exiles should be urged to seek an Iranian solution to Iran's problems with the help of those still in Iran. Should any of the exile groups develop sufficient unity and strength (including support in Iran) to be able to challenge the present regime, this policy of keeping our distance will be reviewed.

-- continue to ban the direct and indirect transfers of U.S. origin arms to both Iran and Iraq for the duration of the war. The U.S. will not oppose transfers of non-U.S. origin arms to Iran by our European allies and other countries such as China, Turkey, Pakistan and Israel since such transfers would minimize opportunities for new Soviet involvement in Iran through arms aid offers.*

Should over time a more stable Iranian government emerge indicating interest in normalizing relations with the U.S., our commercial and arms policies will be to:

-- actively encourage U.S. firms to do business with Iran pointing to the improved political climate, and move as early as possible to amend or remove our travel advisory in order to:

- encourage an increased flow of U.S. goods, services and technical assistance to Iran's industry, agriculture and the oil sector, thus strengthening the ability of the central government to deal with extremists or anti-government minorities who threaten the process of consolidating political stability and rebuilding the economy;
- reduce incentives for trade and other economic ties with the Soviet Union;

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*DOD and [] believe that any arms supplies would encourage Iran to resist efforts to bring an end to the war and that all arms transfers to Iran should, therefore, be actively discouraged.

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- extend the market share of U.S. business in Iran;
- signal that a demonstrated pattern of behavior showing respect for international law can provide direct and tangible benefits.

-- offer to resume direct, overt arms supply to Iran and encourage parallel allied and friendly country support as political stability materially improves in Iran and as an end to the fighting between Iran and Iraq is achieved, in order to:

- improve the longer-term strategic balance in the Persian Gulf by strengthening Iran's ability to resist future external threats and contain domestic subversion and reduce opportunities for Soviet involvement in Iran as an alternative arms supplier;
- pave the way for full normalization of U.S. relations with Iran when this becomes mutually desirable--provided direct resupply of the Iranian military takes place only after an end to the present Iran-Iraq war, any negative Iraqi or Arab reactions should be manageable. (Care would have to be taken to explain to the U.S. public how U.S. interests would be served by a decision to support what will be seen as the Iranian regime that violated international law by seizing and holding our diplomats.)

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